



The Universities of the Future within the Global Markets of Ideas The Internationalization Imperative



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THE UNIVERSITIES OF THE FUTURE

It is, in a sense, a symbolically relevant coincidence that a project whose ambition is to imagine and, then, provide a contribution to design the universities of the future starts from the country where universities themselves were given birth eight centuries ago. In fact, the overall perception is that – beyond the complexity of scenario analyses and various strategies – the future will look like the classical past. Whereas universities were born out of a network of international students demanding to the new institutions universal, not necessarily work related knowledge, the universities of the future are likely to have students as clients and international students as the key clients that may trigger their evolution in the twenty first century as more efficient entities.

The four questions that articulate the ambitious project that Vision begun in 2008 are the following: how much and what kind of internationalization do universities need? Which are the limits of most used rankings and how could we fix some of their problems and still leverage on them as a lever of fair competitiveness and innovation? How are universities faring into the global markets of (production and transmission of) knowledge after having lost their monopoly to new competitors (think tanks, spin offs, social media, and others)? Which is the impact of the Internet on the process by which knowledge is created and distributed?

The answers to these four questions, however, depend on one even more fundamental clarification: what are universities for? Is there a common definition that still makes it legitimate to talk about universities as such although the founding belief of any thinking on higher education must be based on the increasing differentiation that exists amongst them?

It does not take a crystal ball to predict what the universities of the future are going to be. Certain change is already happening notwithstanding the inertia that legislators and regulators display, the resistance of powerful stakeholders (including intellectual élites that do not want to forgo privileges that have gone uncontested for decades) and the failures of many reforms in producing any significant change.

Universities are changing because the eco system in which they must survive and deliver is rapidly changing. To be more precise, it is because that eco system has long become a proper globalized market where the good to be exchanged is knowledge and the structure of the **supply** and **demand** as well as the nature of the **product** itself has already changed in a radical way. Nonetheless, the shelter of public financing sometimes ends up working as an obstacle that crowds out innovation.

At the heart of change there is, undoubtedly, the discontinuity that has been brought about by the introduction and diffusion of many technologies, applications and social networks that are enabled by the Internet and the mobile devices.

First of all there is, then, a change in the nature of the **product** – knowledge – that Universities are supposed to produce (even preserve) and pass to future generations. The term “knowledge society” has been abused too many times. Even though its expectations have often been not fulfilled and have sometimes turned into undesired evolutions, it still holds true that we live in an era that is revolutionary and that the revolution has been triggered by new technologies. It is a revolution similar to the one that signaled the start of the Renaissance – once again in places like Florence, Siena, Venice and the very

Perugia¹ - and the end of the Middle Ages. In fact, the Renaissance saw a blossoming of arts and knowledge mostly due to a single invention – **Gutenberg’s press machine** – that allowed a multiplication of the quantity of information that any individual or organization could receive, elaborate and transmit in a given period of time. **The Internet** has technically made possible a fall of hundreds of times in the unit cost of retrieving, processing, sending information and, thus, in the transaction costs that according to the British economist Ronald Coase are the ultimate determinant of the size, flexibility and lay out of institutions and organizations.

Although separated by five centuries, both inventions and revolutions did have the same effect of a drastic reduction in the entrance barriers to knowledge creation and dissemination, and the possibility to nurture many and diverse relationships simultaneously. This – as for the renaissance – is producing a mutation which is a rather more radical term of change – of what socialist philosophers of the nineteenth century would have called the structures and infrastructures of society: the processes by which we take decisions as communities (democracy as in the Vision’s project “The future of democracy”); the media by which public discourse is carried out; the organizations through which public goods (that we cannot even call any longer public services) like health, mobility, security are produced and delivered (as for the Vision papers on the impact of the internet on healthcare systems and cars); the channels (including universities) through which education is accumulated and distributed; even personal relationships and, thus, things like family and personal wellbeing (as in the Vision project on the future of family) are being fundamentally transformed.

Universities are at the front line of such a transformation. There is a profound modification in the core product that universities are supposed to “sell”: knowledge becomes about problem solving (and not only problem setting any more) and this means possible solutions to (social, technological, intellectual) problems that tend to have the novelty which is normally associated to revolutions. This strains the institutional structure of universities because it goes across the boundaries of different academic domains. And it is increasingly not only a question of proving relevant knowledge, but also of developing new instruments through which such knowledge is developed.

The structure of the **demand** is also modified: there is the replacement of a model where ninety percent of the funds used to come from the State to one where a much more diversified set of clients (students and families, private sponsors, employers, public opinion and civil society entities) are also immediately crucial to the financial survival of universities.

Last and not least, the **supply** becomes also almost unrecognizable to itself: universities lose the monopoly of advanced knowledge production and transmission – where think tanks like the one born out of Oxbridge graduates and firms started as spin offs of campuses like Stanford appear to be able to capture the leading edge – and higher education institutions themselves tend to compete and specialize themselves.

This is a scenario where universities cannot evidently limit themselves to “care for and attend to the whole intellectual capital which composes a civilization... to keep an intellectual inheritance intact, but to continuously recover what has been lost” as the English philosopher Michael Oakeshott may have said in describing adequately universities in a different era. Universities must literally change their skin in order to survive: become probably smaller, more focused, quicker in order to respond to quickly changing demands, more ambitious to provide radical - cross disciplinary - answers to the kind of the problems we enumerated before.

¹ Pinturicchio, Perugino and the very Raffaello lived in Perugia and left few of their masterpieces there.

And therein lies the challenge to the very institutional shape that universities still display, as well as the problems, the (not very) obscure disease that can become or is already the trigger of a proper decline of most of these glorious institutions.

Two are, in fact, the challenges that universities - especially the greatest ones - tend to present: the **bureaucratization** of the staff within universities and thus of research and the **monopolistic syndrome** that the shelter of the prestige of brands can produce.

Fragmentation and incrementalism are the two halves of the same issue: the **bureaucratization of Science** that Max Weber theorized and that was adequate in an era dominated by a humanistic approach that had become obsolete. This approach itself risks to go out of market because of the nature of the information-based society. In years of hyper specialization, academic domains have grown as separated bodies of thought, sub-divided into smaller niches with few professors, even becoming sort of ivory towers incapable to engage into dialogue with the outside world. **Diversity** (and internationalization) would, instead, favor the leaders of different disciplines to better understand whether the pond in which they are the big fishes is, in fact, becoming smaller and more and more irrelevant.

The second risk is the **monopolistic syndrome** that especially the most famous brands may develop. **Internationalization** may be good especially if it becomes a two ways flow that may favor the birth of competitors even in countries different from the dominant ones: in this case competition may be crucially good for whoever may run the risk to fall asleep upon a false belief that competitive advantages cannot be filled.

Undoubtedly universities - especially most famous, best endowed ones – still have the resources to survive and prosper. But it is important to understand and acknowledge as soon as possible that some will succeed and some will disappear like dinosaurs not capable to adapt to the new environment where smaller animals may run faster.

The difference will be made by willingness to focus on problems (rather than academic domain) and to connect with others, intellectual curiosity and humbleness, scouting whoever can be an innovator, and the old passion and courage for searching and transmitting pieces of the truth.

It may seem an odd couple of virtues the ones that the universities of the future need. In fact they, in a sense, even represent a sort of going back to the values of those very first universities that were born in places as different as Bologna² and Nalanda³ many generations ago.

The problem solving that we will propose on whether and how to assess and market universities will be based on these basic considerations.

² Bologna – founded in 1088 – is the first university in the sense of a higher learning, degree awarding institute. The word *university* was established to name Bologna in Latin as *universitas magistrorum et scholarium*, which means "university community of teachers and scholars" It is also the oldest continually operating university in the world. Oxford followed eight years later, but was discontinued for more than one century.

³ The site of Nalanda is located in the Indian state of Bihar, was a Buddhist center of learning from 427 to 1197 CE and it has been said to be "one of the first great universities in recorded history". Some buildings were constructed by the Mauryan emperor Ashoka the Great

2. THE INTERNATIONALISATION'S MERITS AND LIMITS

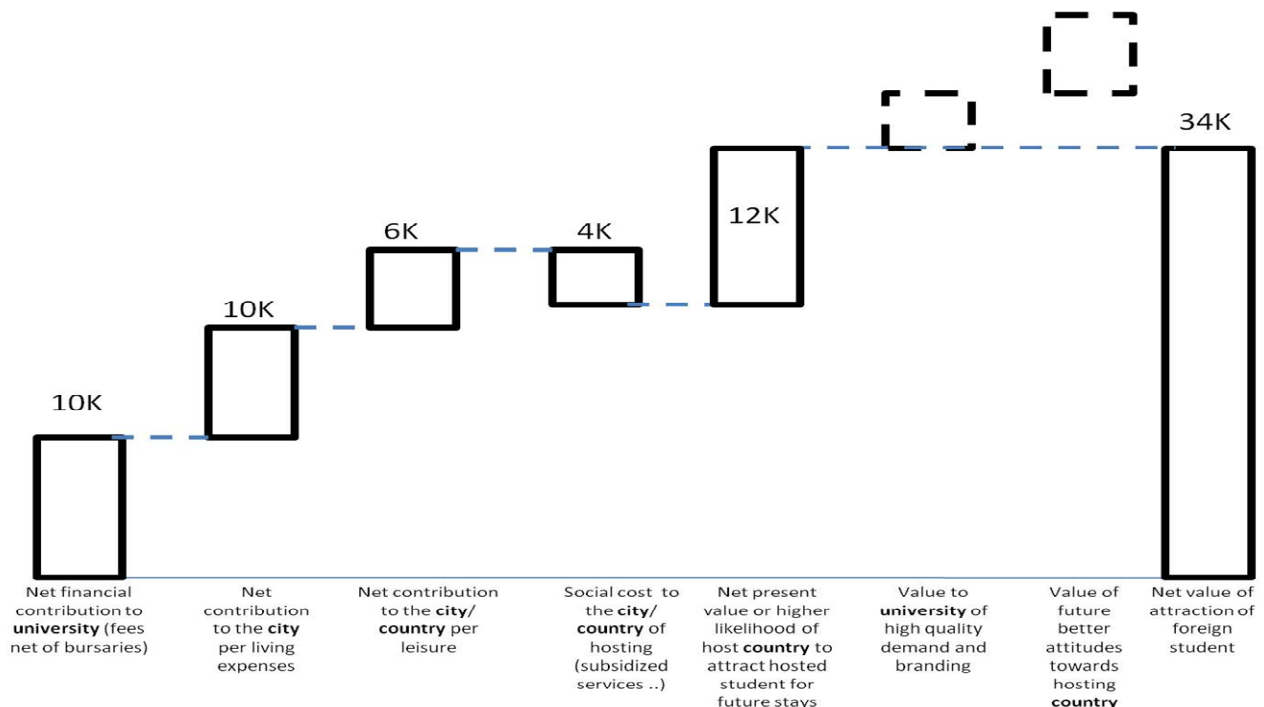
As we mentioned in the introduction, internationalization is a powerful alternative to comprehensive, usually inefficient reforms. More openness of universities to foreign students and faculty, more outward international mobility of their faculty and students bodies, can trigger change. In this section we attempted to put together some more specific rationales for investing in internationalization; a reconstruction of the competitive dynamics in the market of international students flows; the reasons for developing a proper marketing of universities and the expectations that one may have from the application of marketing tools to higher education institutions.

2.1 THE INTERNATIONALIZATION'S POTENTIAL AND ITS ENEMIES

International students are the bottom line of any internationalization that universities may pursue and one of the main indicators of competitiveness of universities⁴ (they are a proxy of what for a firm are its exports) and especially the ones that are meant to be world class institutions.

International students are, in fact, good for both **economic** but also, surprisingly, **ethical** reasons. The economic reasons are more obvious than the ethical ones and both deserve to be better understood. An international student, in fact, is not only a net contribution to the economics of the institution that attracted her or him as the illustrative table below shows.

Graph 2.1 – Estimation of economic value of an international student in UK (euro, 2010, not EU student)



Source: Vision analysis on Vision, The Economist, University of London data

⁴ Nonetheless some hypocritical attitudes of university managers and university professors with anything that can resemble the concept of *commercialization* and even more horrendously *commercialization of culture* of which the competition for the rich fees paying international students may be considered one of the most obvious manifestation.

The economic value of an international student is significant for a number of stakeholders. As the graph shows, a simulation (whose numerical values are to be meant as purely **indicative** and based on a non EU student attending a UK, metropolitan college) carried out by Vision, illustrates that:

1. In addition to the direct net contribution **to the bottom line of the university** which in UK can be as high as 12 K euro per year (in fact, the rule of thumb is that the average cost per student is about 7 K GBP and the fee for a non EU student is above 15K);
2. A net contribution to the private (or less likely public) parties that provide **accommodation**, eating and other living expenses;
3. The income to the actors that provide for **leisure** (culture, sport, social events ..);
4. The **cost to the city** of hosting the additional person (subsidized portion of public services – social security, travel, school, etc. – used by the foreigner); but, more importantly, one should also calculate
5. The net present value of the **future travels to the hosting country** that the international student would do because the student experience has increased the likelihood to go to that country⁵;

Last but not least, the economic value of having an additional student should also consider two effects that are more difficult to calculate:

6. The **benefit to the hosting university** because of the **(competitive) pressure** that the international student would put on the services made available by that university. Moreover, one may argue that the international student may also become herself/himself a factor of marketing and branding of that institution (provided that she/he is satisfied with the experience);
7. The **value to the country** of the better attitude towards the hosting country that international students may develop towards the hosting nation which, sometimes, may even become a sort of second nationality to that individual (and this may be particularly important when those students become politicians, business executives or more broadly civil society leaders and opinion makers).

The economic value of attracting an international student can be, then, very high.

It must be said that the same international student may yield significantly less in other countries. In a country like Italy, for instance, the value becomes smaller (a first attempt to calculate yields a value slightly above 20,000 euro per year) for a different pricing policy and a relatively lower likelihood of the foreign student to come back to the hosting country.

However, the value is still rather high. Moreover, in addition to the economic reasons for focusing on international students, there are also reasons for which international students should be considered a “public good” (and, thus, that there is an ethical value attached to the increase of mobility of young people travelling across the boards for studying). According to polls⁶, **people who spent part of their school years abroad are less exposed to hostility towards foreigners**. They also tend to become **workers more capable** to adapt themselves to the continuous changes imposed by globalization⁷. A world with more international students is, therefore, likely to be more peaceful and to have a better standard of living.

⁵ As demonstrated by polls like the one conducted in 2010 for Vision by the *Think Young* network

⁶ According to discussion forum like the one promoted by the World Youth Wave (WYW) in 2010.

⁷ One person that has studied at least for six months abroad as opposed to some that did not is apparently not only doing better as far as remuneration is concerned but also in a more statistically significant way is twice as likely to go

This is not at all a novel consideration and, in fact, at the very birth of the European universities in places like Bologna or Valladolid and at the root of the very name *university* there is this inspiration to be part of an international circuit for students and teachers travelling from one place to another (at a time when travelling was much more difficult than today) for the sake of culture and, in fact, *universal* values.

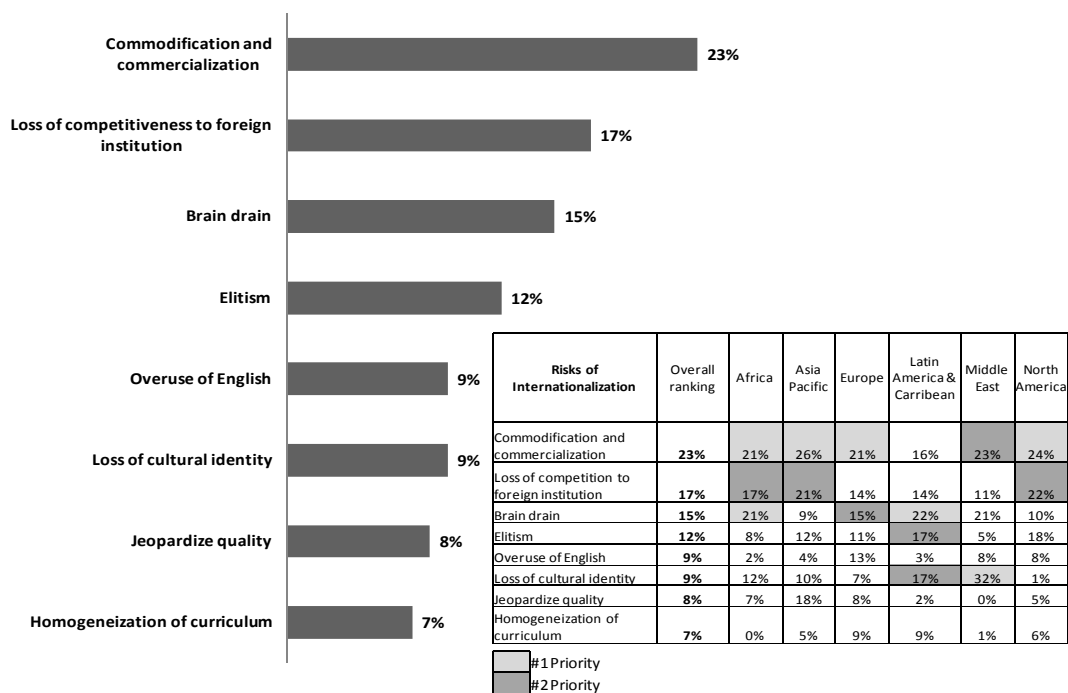
Overall, internationalization appears to be therefore a *win-win* proposition. In this sense, it is good on commercial and “public goods” grounds. And it is (at least potentially) good for both destination and origin countries. It is a point that is well demonstrated by **China** (it has to be noted that it is a communist country) that **explicitly plans the “emigration” of its brightest students** and programs their coming back (the story of the so called “sea turtles” with thousands of Chinese students studying abroad and going back to their country to cover important leadership positions in business and politics).

The same is true, as Vision argued in a paper drafted last year, for countries like Italy that are in the rather unique position to have lost students at a much larger extent than comparably rich countries like France or Germany. The “brain drain” could be turned on its head into a competitive advantage if a country like Italy could develop a network of people living abroad and yet willing to help their country in a tangible way in exchange of at least a moral recognition.

Notwithstanding these considerations, our enthusiasm with flows of students across the board is not universally shared.

The table below – based on an extensive and unique survey conducted in 2005 by Professor Jane Knight and by the International Association of Universities - accounts for **the most cited risks that higher education representatives associate to internationalization** with a geographic breakdown.

Graph 2.2 – Main Risks of internationalization as expressed by Universities’ rectors and directors



Sources: Vision on IAU, Global Survey Data (2005)

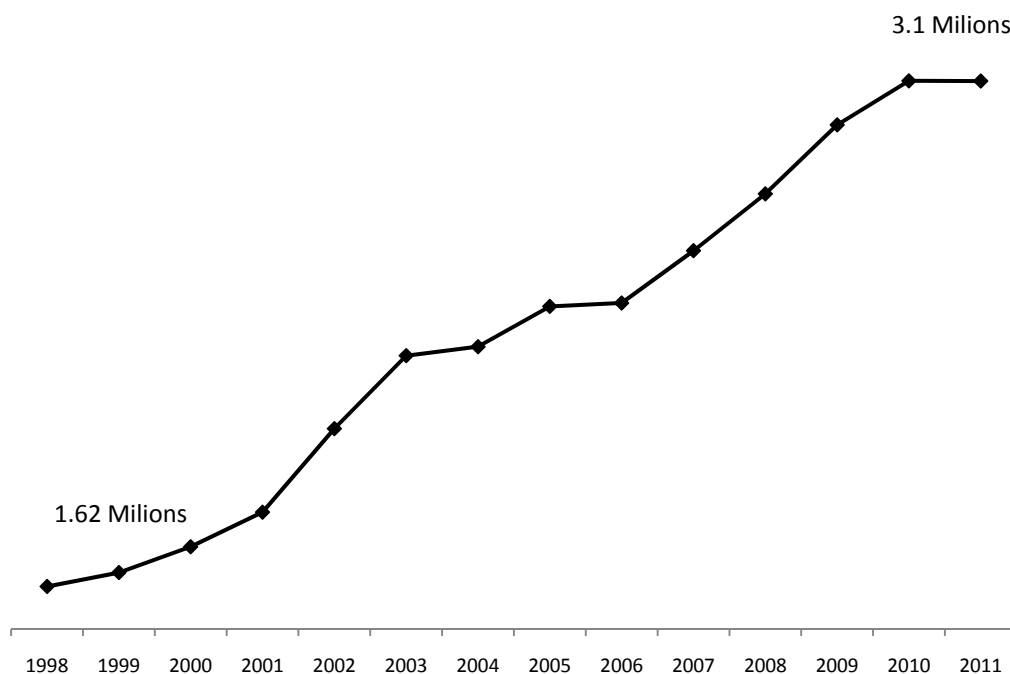
next year abroad, is three times more likely to have her or his children to go abroad and is four times more likely to agree with the definition that immigration is a very good thing as opposed to the ones that did not go.

Commercialization, as mentioned before, is seen as the main risk. Great differences amongst regions however appear to exist (brain drain is perceived as a main threat only in Latin America and Europe) and this suggests (as we will elaborate later) a differentiation in the marketing approach to different countries/ regions.

Risks and even more precisely defined fears towards internationalization are, therefore, still existent and rather widespread. After all, this is true for all typologies of globalization: they increase expectations and fears. However, overall opinions seem to oscillate from thinking that globalization is unavoidable (and thus that we must adapt to it) to considering it as an opportunity. The statistics on the “market” of international students appear to say that the latter approach is more widespread than the former.

Notwithstanding some resistance, **internationalization of higher education has been increasing remarkably during the last ten years**. As the following graph shows, **the number of international students doubled from 1998 to 2011**, reaching 3.1 million units.

Graph 2.3 – Number of international students per year



Source: *Vision on OECD and UNESCO data*

Indeed, studies abroad is one of the fastest growing industries in the world and it is rather interesting that these growth rates are similar to another industry called tourism. Somebody may, in fact, even argue that tourism and studying abroad are amongst the most distinctive features of globalization.

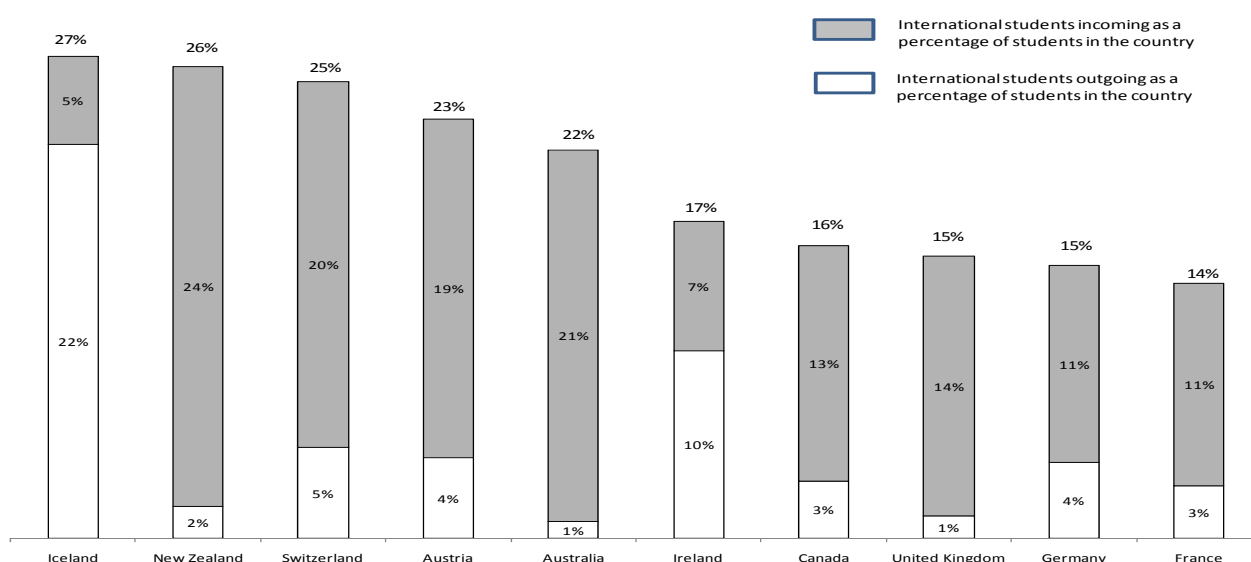
International students flows are, therefore, blossoming and if it is true that the economic value of attracting for one year an undergraduate is about 15,000 euro (half of the estimation in graph 3.a) we are, then, talking about a market whose total value is about 40 – 50 billion Euro.

International students, however, must be considered as **beneficial both to the countries that is hosting them that to the countries that is sending them abroad** for a number of different reasons:

1. **to study abroad is an unique opportunity** to develop from a point of view of the **professional and institutional capabilities**, as well as in terms of **accumulating knowledge of foreign markets and networking** with other countries leaders; this must have been the distinctive belief under the deliberate policies that countries like China and Germany have pursued by increasing in four years of around a third an already high number of their nationals going abroad to study;
2. **to attract students requires** – as our paper on the ranking of Italian universities on internationalization shows – **that your own students and faculty go abroad**; an internationalized faculty and students population (and, thus, an higher percentage of them who are foreign language proficient, culturally more open, ..) makes, of course, lower the barriers to entry for foreigners.

Therefore we would argue that outgoing and incoming internationalization are equally important for the modernization and higher competitiveness of a university (as well as of a city and of a country). Thus if an overall ranking of internationalization should be proposed, we almost would go for something like the one that is being represented by the following graph.

Graph 2.4 – Sum of international students incoming and outgoing as a percentage of students in the country (2008)



Source: Vision on OECD and UNESCO Data

Small countries that show high GDP per habitant and that are geographically peripheral (like Iceland, New Zealand, the very Australia) or, on the contrary, central to Europe (Austria, Switzerland) appear to be more internationalized. Germany, Canada, UK and France appear to still have a competitive advantage. It is remarkable that neither the USA nor China appear in the top ten.

However, a deeper look to numbers unveil further features of the market of international students that are sort of surprising for the mainstream story on international students.

2.2 THE CHANGING MAP OF INTERNATIONAL STUDENTS' ORIGINS AND THE UNEXPECTED DRIVING FORCES OF INTERNATIONALIZATION

The one of international students is, therefore, for few distinct reasons a crucial market.

However, although the authors of this paper are convinced that internationalization is a win win proposition, we will find that the internationalization we currently have is rather different from the one that we may have idealized.

Two numerical rather surprising features of the recent wave of internationalization emerge from Vision's analyses.

The first is about what drives the growth of the market of international students.

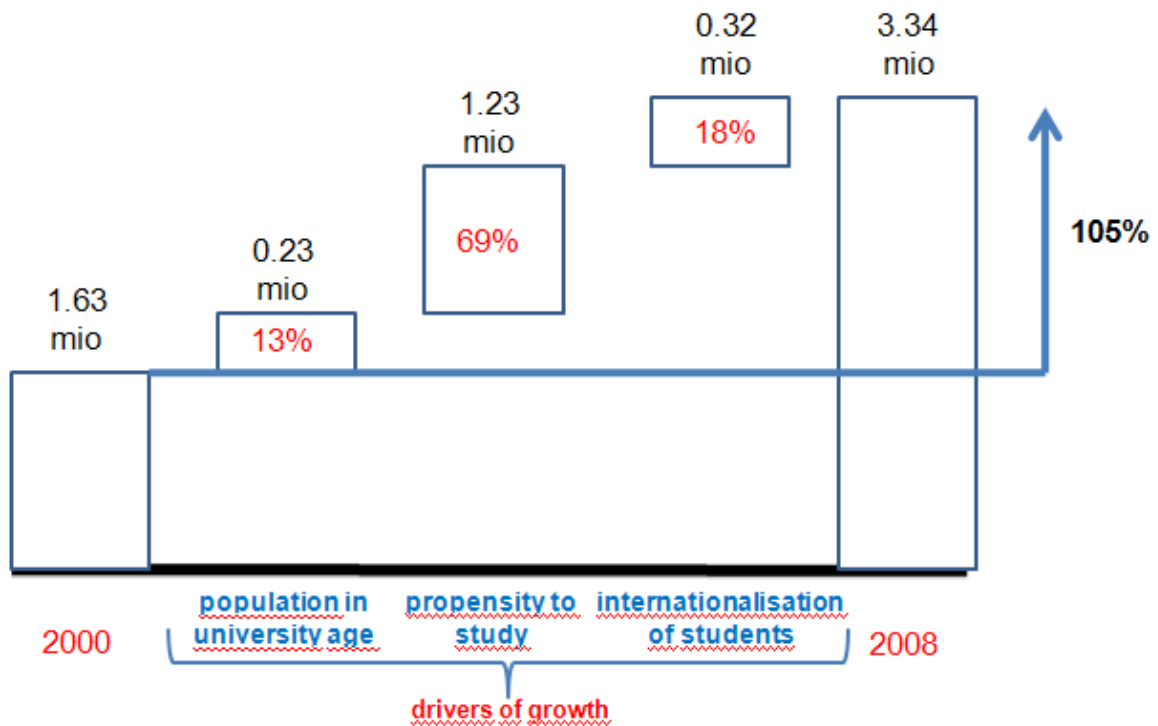
We tried to calculate the contribution to the growth of international students that comes from three factors that are, by the way, to be multiplied amongst them to obtain the total number of international students going abroad.

Basically, our reasoning is a rather simple one: the total number of international students can be, in fact, assumed to be equal to the **population in university years** multiplied by the **percentage of such a population that is attending universities** which again multiplies the **percentage of such students' population that decides to go to study abroad**. Such a simple equation allows to separate drivers of growth that correspond to three different social phenomena:

1. the first is a **demographic** trend that has nothing to do with universities;
2. the second – the propensity to study – is, instead, a **social** evolution that depends on a complex set of factors including the income per habitant (which allows families to tolerate the opportunity cost of their sons and daughters not to work), the percentage of GDP spent on education (including fees policies and study allowances) and the expected return from education;
3. the third is a measure of the propensity to study (and thus live) abroad which may depend on factors that can be differentiated between developed, emerging and developing countries: in the first category of nations it may be about **curiosity**, in the second there may be **lack of higher education infrastructures** and mere **emigration**; in the third it looks like that it may depend on **national policies**.

The surprise is that **the factor that weighs the most is the second**. Internationalization appears to be mostly a by-product of the main trend which is by far the growth of the number of young people that want to attend universities which is a longer term trend towards the growth of demand for education. The graph below summarizes the main findings.

Graph 2.5 – Contribution to growth of different components (million, percentage, 2008 - 2000)

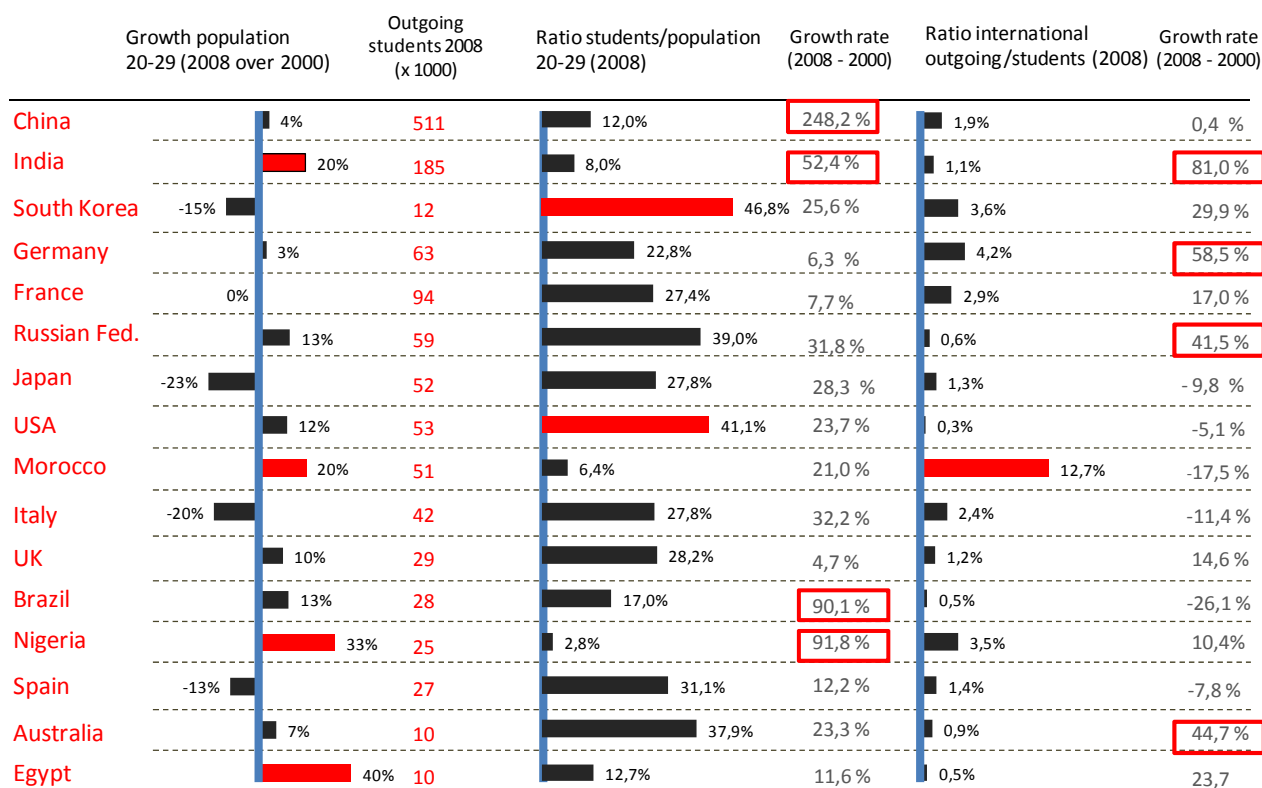


Source: Vision on World Bank, OECD and UNESCO Data

It is, therefore, the increase in the number of students, more than the demographic phenomena or a proper internationalization, what drives the growth of international students.

More specifically, it is interesting to see how the fundamental numbers are changing in a sample of fifteen countries from which almost half of the international students come.

Graph 2.6 – Contribution to growth of different components (thousands, percentage, 2008 - 2000)



Source: Vision on World Bank, OECD and UNESCO data

The data confirm the trend we just mentioned and in red we highlighted some facts that may be interesting in developing a marketing strategy.

More specifically, we remark that

1. the so called **demographic bomb is being defused**;
growth of population in young age will not provide any longer a source of increase in the numbers of students or international students; in fact, people aged between twenty and twenty nine (who will be the next ones to progressively abandon their “university years⁸”) are everywhere in the world – with the exception of countries like India, Egypt, Morocco and Nigeria – more than the boys and girls aged between ten and nineteen who are going to replace them;
2. the **real growth is in the percentage of young people that go to the colleges of their own countries**;
this has been particularly remarkable in China – where it can be explained at least partially by the growth of the income per habitant and of the middle class – but also in very different places like Brazil, Nigeria and again India; South Korea and the USA still top the rest of the world as far as

⁸ Although as we argued one booming segment of university students will be the ones who are above thirty (who are then normally working) and the elderly.

young people attending the college (and given the small percentage of American students going abroad the USA is, in fact, still one of the most promising market for countries willing to increase their market share);

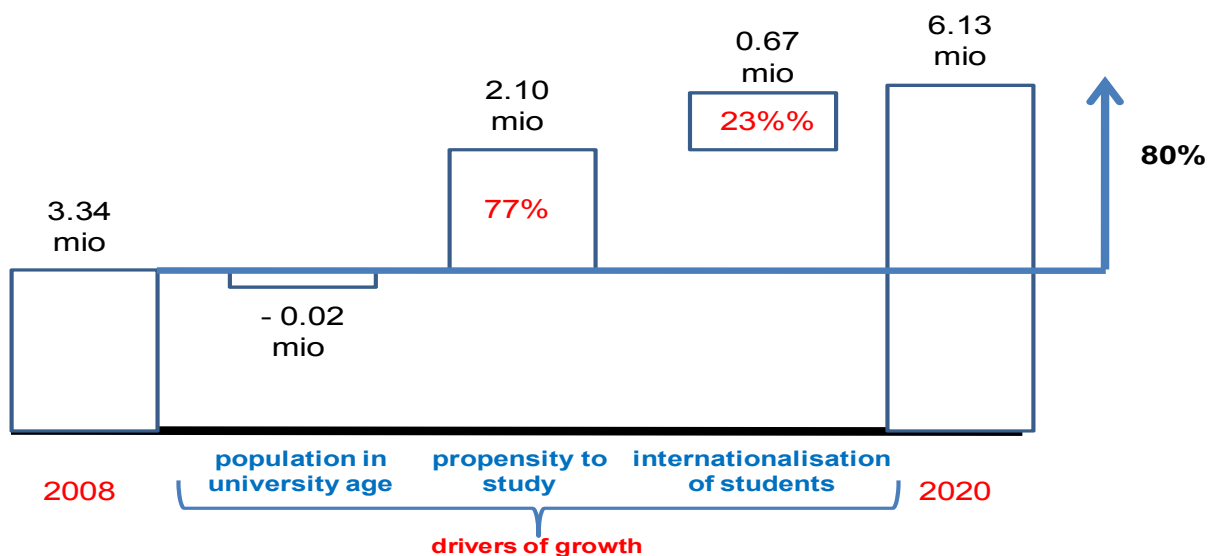
3. **the propensity to study abroad amongst the ones that are attending universities has stayed more or less unchanged;**

this is surprisingly the case of China (there has, therefore, been an increase but it has been proportional to the spectacular increase in the number of students);

Germany, Russia appear to have deliberately increased the number of students going abroad out of a national policy; two countries at different stage of development – India and Australia – also saw an increase in the propensity to study abroad but this may have been the consequence of economic growth and, more specifically for India, the enlargement of the middle class; even more surprisingly, it is Morocco to top the other countries in our sample, whereas Nigeria confirms that it is from Africa that a relatively higher number of international students come.

The trend that we described is confirmed by the following table that attempts a forecast in the number of international students that are going to flow across countries in 2020. Even a prudential hypothesis made on the basis of above drivers⁹ makes **Vision to envisage more than 6 million international students in nine years time.**

Graph 2.7 – Contribution to growth of different components (thousands, percentage, 2008 - 2000)



Source: Vision on World Bank, OECD and UNESCO data

More remarkably, however, is the number of university students (either national or international) that according to Vision is supposed to reach 270 million in 2020 from a little bit more than 100 in 2000. Out of these Vision forecasts that 1.73% will decide to study abroad which is still a rather low number that barely

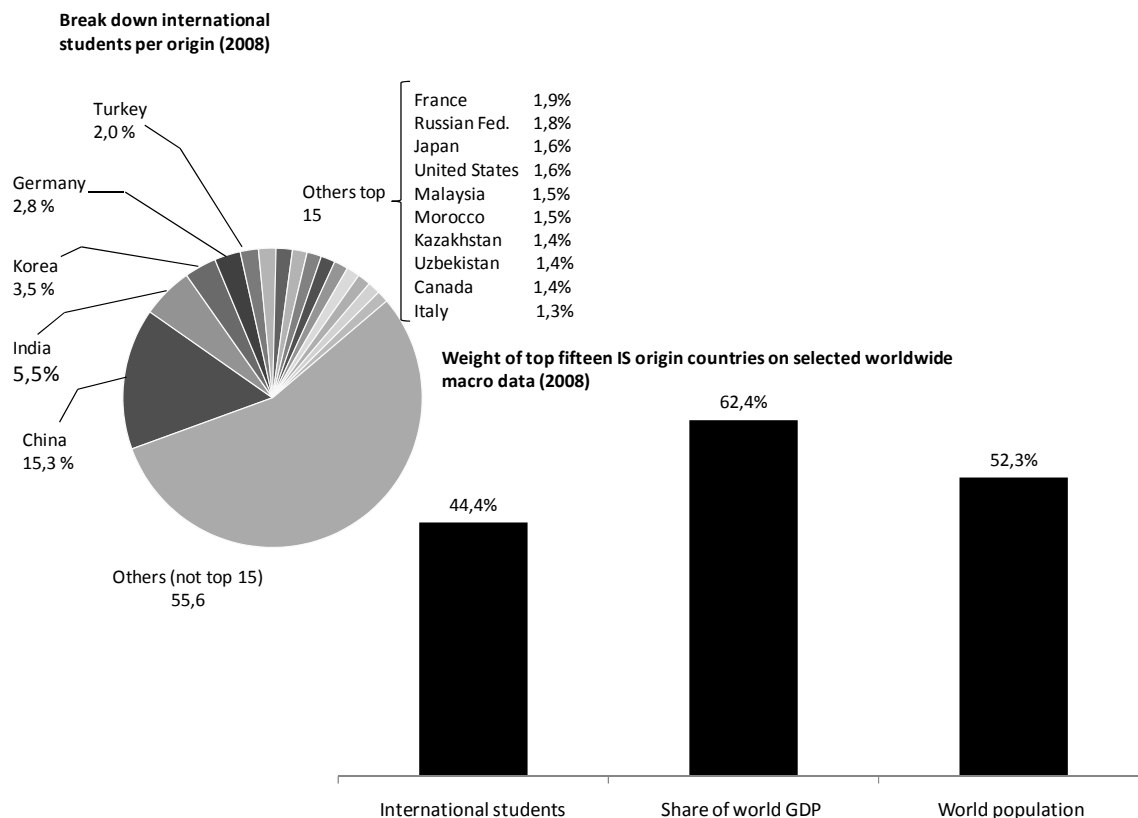
⁹ It is a prudential estimate because we hypothesized to apply half of the growth rates of the ratios of students to population and international students to students.

increases from the 2000 ratio (1.23%): it is a number that does, in fact, hide a big opportunity because it also says that there are big margins for further increase in the number of international students.

If this is true, it is, however, important to understand where these opportunities lie.

The table below shows how many international students come from the fifteen countries that generated more international students. The table, however, also shows the weights of each of these countries on the world economic output (GDP) and on the world population.

Graph 2.8 – Main features of origin of international students (per cent, 2008)



Source: *Vision on OECD, World Bank data*

A number of clear counter intuitive messages emerge from the charts:

1. **the market is much more fragmented** than many debates normally assume; although China and India are still the two most important countries, they only express one fifth of international students notwithstanding they host one third of world population;
2. a relatively **higher percentage of international students come from poorer countries** that happen to be neither developed nor emerging;
3. countries as new and as different as **Uzbekistan and Vietnam are more than doubling the number of students that are studying abroad** (of often with the intention to come back); this is an opportunity to them if they are able to leverage on the experience that their citizens are developing (and their remittances) but also an opportunity for countries like **Russia, Australia, Singapore, Hong Kong** that are progressively becoming leaders of increasingly large market niches.

These arguments bring us to the question of analyzing how the balance is changing amongst the countries engaged in the competition to attract international students.

2.3 THE MARKET LEADERS AND THE NEW COMPETITORS

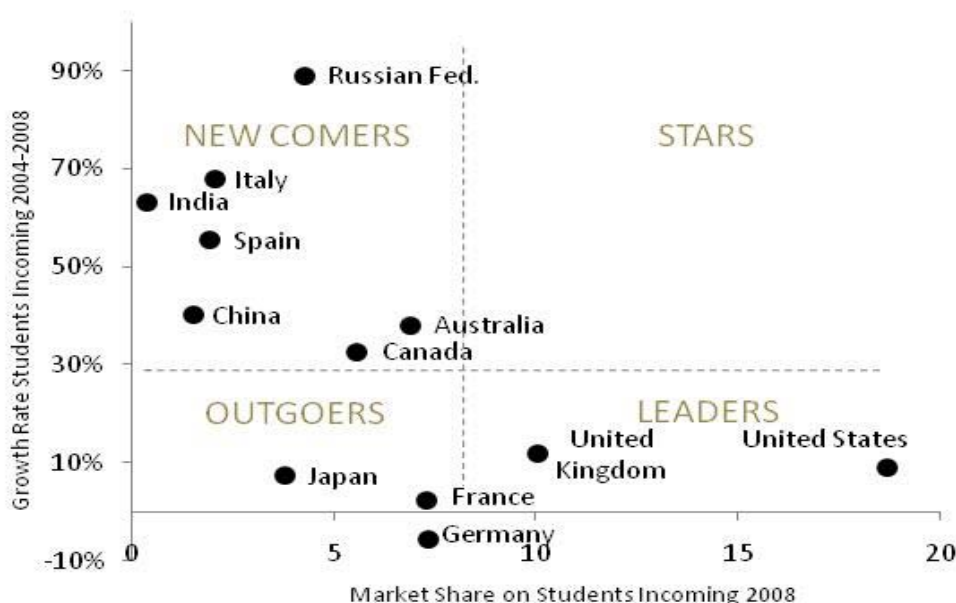
It is the very last message of the previous paragraph on the “changing map of the international students’ origins” that will drive most of the considerations on the change in the competitive dynamics of the international students’ market.

In fact,

1. although the **United States and to a lesser extent United Kingdom still hold the first positions** in the ranking of countries in terms of capability to attract international students, and
2. although **the United States still hosts** – just to mention the top four countries of origin - **half of the students coming from India and South Korea, one fifth of the Chinese and ten per cent of the Germans,**
3. **new** - partially unexpected - competitors **are stealing market shares from the leaders.**

The tables below distribute the top ten countries in terms of number of hosted students per market share of the total market and growth rates.

Graph 2.9 – – Market share and growth rates on the market of international students (per cent, 2008, 2008 - 2004)

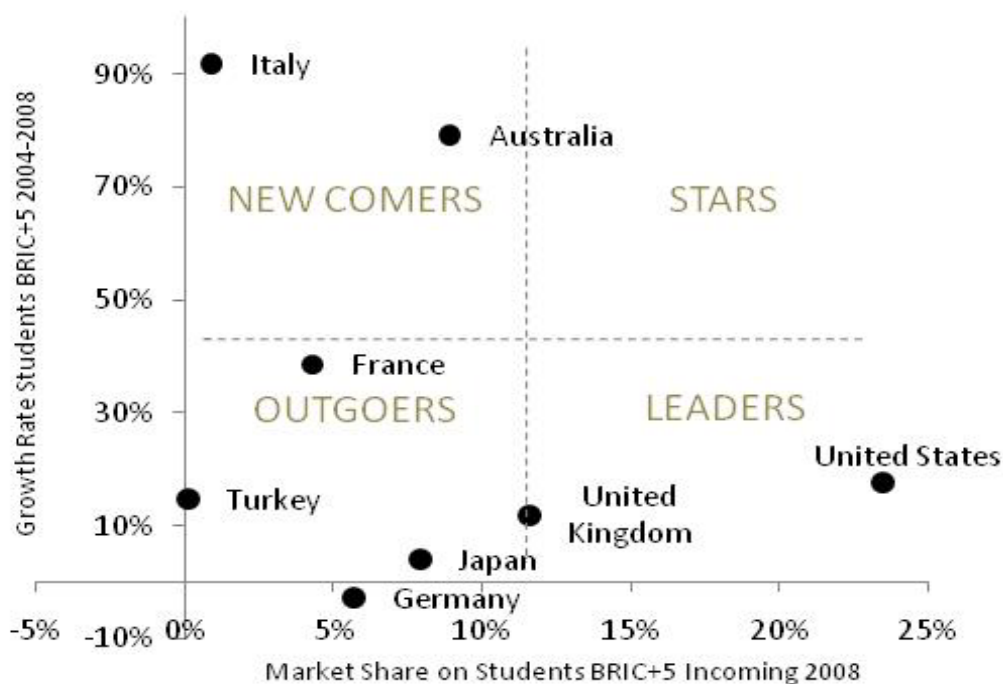


Source: Vision on OECD and UNESCO data

The main message of the graph is that if one looks to the international students as a market and applies an instrument typical of market analysis (in this case the famous Boston Consulting Group matrix), she would think that although there are countries that holds a lead – USA and UK – and although other countries – India and surprisingly Italy – are growing more, we still do not have a “star”.

The market is relatively open to new comers and to significant changes in the competitive equilibrium. This is even more true if we limit our analysis on the market of students coming from the most developed countries of the world as well as the emerging economic giants.

Graph 2.10 – Market share and growth rates on the market of international students coming from BRIC (Brazil, Russia, India and China, India) and five most developed countries (Japan, USA, Germany, France, UK) (per cent, 2008, 2008 - 2004)



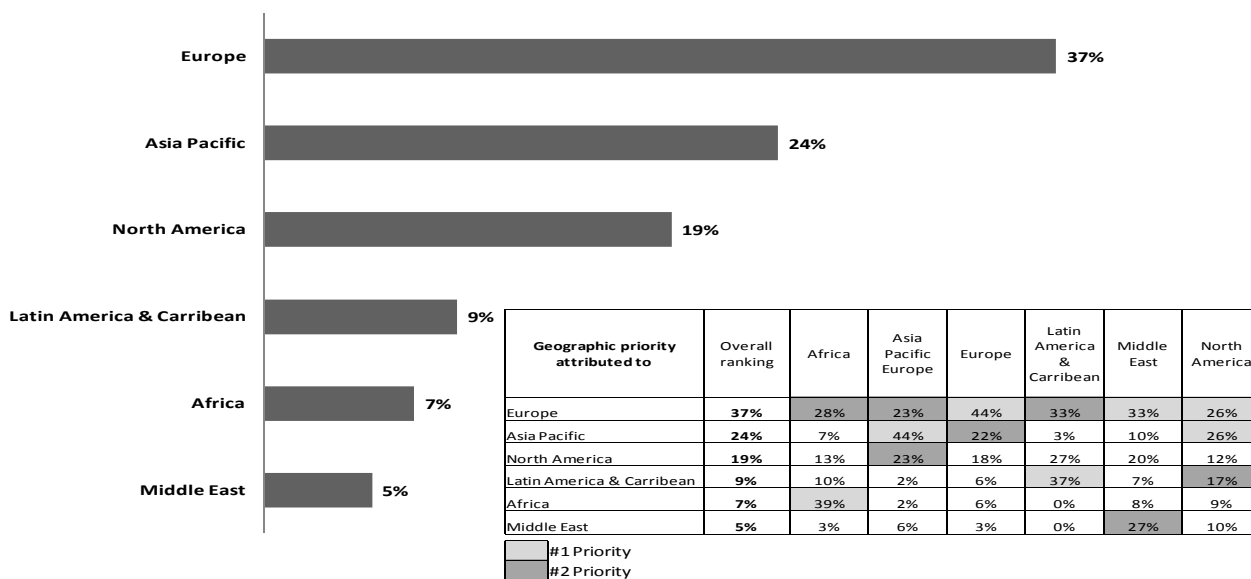
Source: Elaborazione Vision di dati OECD e UNESCO

The analysis is interesting because students coming from these countries are supposed to be more contestable. Therefore, an analysis of this segment of the market is likely to say more on competitiveness of different products. The interesting message of the chart is that again although there is one clear leader, there is nobody that is the unchallenged star and there is room for new comers. The countries with higher market share show lower growth rates. Looking to broader data interesting cases are:

1. **Australia, Hong Kong and Singapore** who may even find a specialization in this market due to their good higher education system and position in the part of the world that is booming;
2. the very **Brazil, China, India** are developing a strategy of attraction that may become a proper national policy;
3. countries like **Russia** (with some of its most prestigious institutions including the Moscow State University), **Italy** with an appeal on North African countries, **Spain** which may have an appeal on South Americans and some of the **Gulf States** that may target Arabic youth that may have grown less happy to travel west demonstrate that even regionalization is an opportunity for capturing an interesting position.

The competition for international students is, therefore, much more open than what normally is assumed. The United States have a lead and yet opportunities exist for other countries as well. This is confirmed by the following chart that measures the interest for different world regions once it is assessed by university directors and rectors.

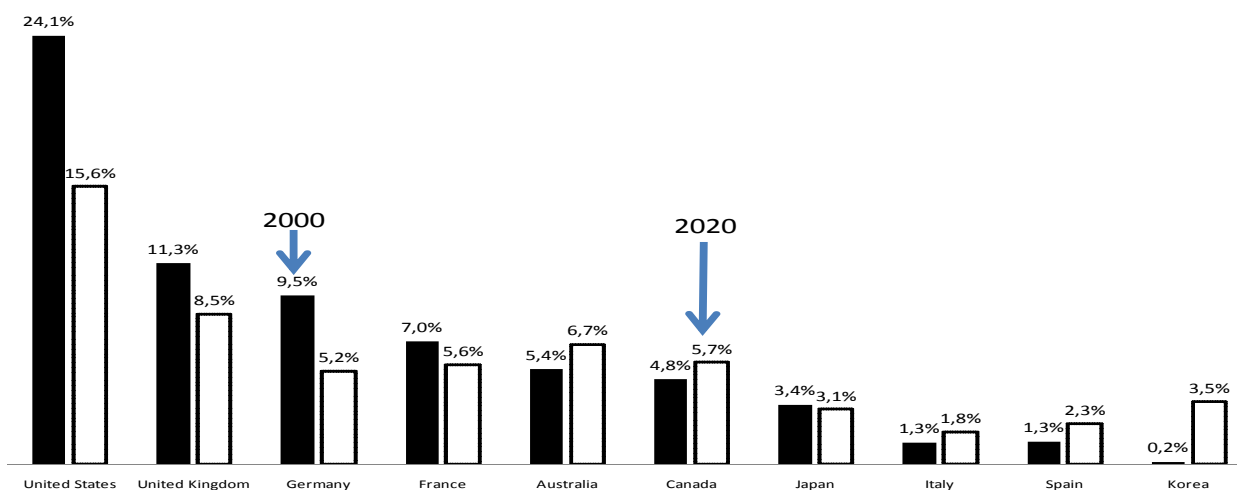
Graph 2.11 – Priorities on different regional areas of internationalization strategies as expressed by Universities’ directors and rectors



Sources: Vision on IAU, Global Survey Data (2005)

Europe appears to be, still, the favorite partner in all regions. North America ranks only as a distant third. In fact, an inertial application of trends that prevailed in the last years produce – as for the following chart – a rather large change in market shares of main OECD countries.

Graph 2.12–Evolution and forecast of market shares



Sources: Vision analysis and forecast on OECD, UNESCO and World Bank data

Consistently with what we said at the end of the previous paragraph on the change in the map of the countries of origin of the international students flows, it is the percentage of OECD countries that is dropping from more than 80% to less than 70%. Australia, Canada, South Korea (to which as we said we

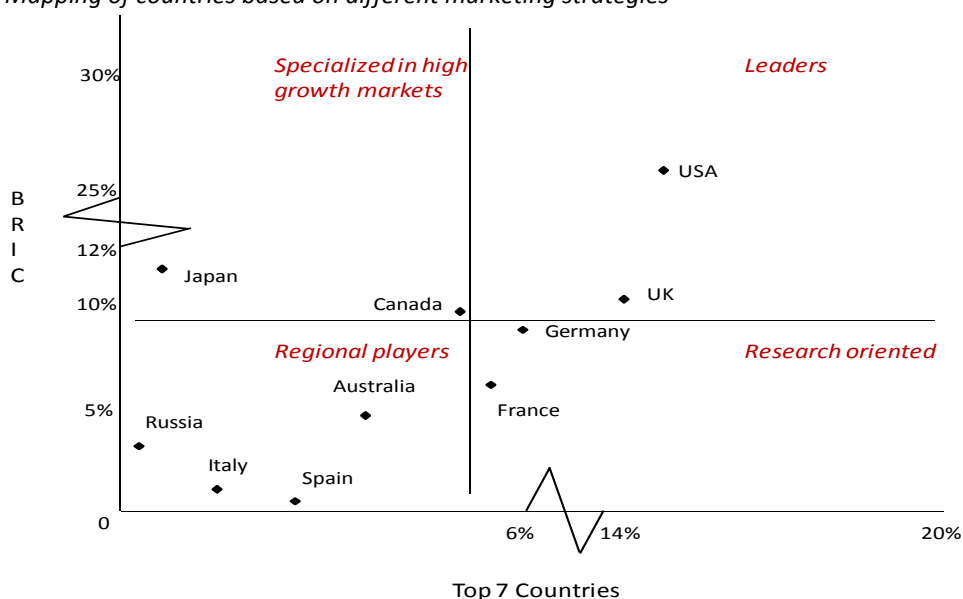
need to add not OECD countries like Russia) are increasing their weights and posing a challenge to the USA, UK, Germany and France.

In such a market, **marketing strategies will most likely be differentiated according to segments of clients to be attracted**, where countries and universities will be better off not to crowd the same areas.

The following chart does, in fact, map countries on the basis of the origins of the students they attract.

More specifically, we tried to assess the market share that each country has got on two particularly relevant group of countries: a) the fast developing giants (Brazil, Russia, India and China) that are also the nations from which the fast growing and bigger segments of students come from; b) the old G7 that groups the largest economies amongst the developed ones; plus the traditional leaders in terms of attracting international students.

Graph 2.13 – Mapping of countries based on different marketing strategies



Source: Vision on OECD data

According to the graph, four different market positions can be identified.

Specialized in high growth markets. Countries such as Japan and Canada specialized in attracting students from the fast growing economies, demonstrating great marketing skills in attracting new segments of the market. Moreover, it can be noted that Canada is performing a slow migration toward the “leaders” area. However, it is important to stress that their BRIC market share is considerably lower than the US’s one.

Regional Players. The countries that fall into this quadrant did not developed a specialization in attracting international students. Indeed, they refer to a regional market constituted by those students that live in the neighboring countries. This is particularly interesting if we consider Russia: as the graph 3.d shows between 2004 and 2008 it registered a growth of 250% in the number of international students, most of them from the bordering areas. Another example is Italy that attracts international students mainly from Albania. The number of students coming from this country is ten times the number of French students studying in Italy and twenty times of the Spanish students.

Product Oriented. These countries pursue the opposite strategy undertaken by the “Specialized in high growth market” countries. They focused more on the quality of the product delivered by universities

(education and research) and for this reason they are able to attract the most demanding “clients” - students coming from countries with university systems that enjoy a high level of reputation.

Last but not least, in the **Leaders’** quadrant we find those countries that have a high specialization in attracting international students from both fast growing economies countries and the largest economies amongst the developed ones. Not really surprisingly here, USA and UK are the biggest exporters of higher education. Nonetheless, it is important to stress the much more equilibrated position of the US compared to that of the UK. The latter attracts a considerable amount of students from BRIC and it is also more specialized on the developed economies market.

From the analysis we presented so far, it is clear that there are still plenty of opportunities and room for improvement of marketing strategies. In fact, different strategies may coexist as long as an overall approach to internationalization will be adopted. The next paragraph will develop on some few guiding principles that are consistent with the analysis we developed so far.

3. THE TOOLS TO DEVELOP STRATEGIES

International strategies can obviously be as many as the **segments**, the **directions**, the **instruments** and, more importantly, the **goals** that internationalization may have (Brandenburg, 2011).

They can be, first of all, different with regard to

1. the **segments** of university population – whereas the two main portions of it are **students** and **professors** – the strategy refers to and to
2. the **directions** of the internationalization because strategies may be constructed both to attract talents and to make countries' talents to go abroad;
3. the **instruments** may also be differentiated whereas two main tools are either the campaign to making international students to come to where the university is or to develop a campus abroad or thirdly to develop partnerships and joint courses.

Internationalization can, in fact, be expected to respond to different **goals** and, thus, to be seen to be:

1. a source of high margin clientele and thus of **extra funding** and in this case it may be preferable to target students that come from rich or relatively rich segments of countries with limited research and academic basis; or it may be perceived as
2. a **lever of betterment of the product** whereas international students are expected to be more demanding and thus to exercise a pressure on higher education institutions to improve their offering and in this case I would focus on students coming from the systems with best higher education institutions; internationalization may also be perceived as
3. a **long term goal to influence foreign countries** and here the strategy would be to focus on courses of political science and political economy and to make HEI with government agencies; and even ultimately internationalization may be seen as
4. an **opportunity to increase diversity** and encourage tolerance whereas developing countries may be preferred.

However, before proceeding forward, each of these strategies – and even a combination of them (Hudzik, 2011) - require a reflection that can be articulated around four different issues that we will describe next.

3.1 THE END OF THE BRAIN DRAIN RETHORIQUE

For years countries and regions have been lamenting their condition as being brain drained. The argument is that some states (this especially applies to Italy) have been losing most of their talents, after having invested for thirteen or more years of education and thus that tax payer's money – whose sum in developed countries can be estimated to be around 100,000 euro that are cumulatively spent for a person in education from the beginning of the primary to the end of the secondary- has been lost.

But is this the right approach? We do not believe so.

Confronting international students outflow as something bad that must be minimized would deny the nature of the process of knowledge creation and distribution in an Internet based society.

Innovation, ideas, new approaches are not bound to some territory and, in fact, they increase their strength and reliability when they circulate. This also applies to people and thus there are several reasons to say that the whole concept of “brain drain” does not practically exist:

1. brains that **stop to move** may even risk to **stop in terms of properly functioning**; if a talent decides to “come back” and stays, she will progressively lose touch with the state of the art of research in her field;
2. **talented people who are abroad are the best possible marketing tool to attract international students** and to influence in a positive way foreign countries;
3. universities that have a high number of students and faculty that are mobile, are also the ones who have **an advantage in terms of knowing beforehand and anticipating** the evolution of the demand that international students will express.

Internationalization is not, therefore, about preventing people to move out or to possibly move for good people who are abroad to in your country.

In this sense it is paradigmatic the opposite cases of Italy and China. The first country – which has been part of the developed world for decades – has just passed a law for granting fiscal exemptions to its own citizens if they decide to come back from the country where they studied; China has systematically interpreted its own internationalization strategy as an outgoing strategy meant to maximize the number of Chinese students studying abroad.

3.2 THE FUTURE OF UNIVERSITIES AND COMPREHENSIVE INTERNATIONALIZATION

As we just mentioned the more students you have abroad, the more students you are able to attract. And similarly this applies to faculty. Therefore, internationalization is, certainly, a win win proposition that requires all levers and strings of the strategy to be pulled at the same time.

The concept of comprehensive internationalization, however, becomes - in the John Hudzik¹⁰ vision (Hudzik, 2011) – the imperative around which “all missions, all students and majors, all faculty and staff, all institutional ethos, vision and values” get reshaped in a radical way because internationalization becomes as such intimately integrated with “not peripheral but the core institutional vision and values”. As such internationalization is not any longer something that you can add to an institution that stays local or even national and has got as an almost direct consequence a change that makes the university itself international.

Does this also necessarily imply that the *universities of the future* will be less bound to a certain place? In fact, paradoxically **the universities of the twenty first century** – which will be **much more differentiated** than the ones that we have now – **may be even more connected to a territory** (their city or Laender in the case of Germany) than the ones that we have now. In fact, if, on one hand, international students will be one of the most important segments of clients in 2020, on the other hand of the spectrum, it will be not traditional students (elderly, workers, immigrants, ..) to shape the future of (at least some of) the higher education institutions (and their capability to fund themselves) whereas this segments are naturally more

¹⁰ Former president of the NAFSA (the largest association in the field of international education and exchange) and vice president of University of Michigan

connected to a certain local community than traditional students. In fact, serving both segments may even produce synergies that may convince some institutions to integrate themselves vertically so that **both the international and the local spheres may be the environments where leading edge product are shaped before being exchanged between them.**

Both levels, however, question the sustainability of the role that nation states expect to play and require a clarification.

3.3 IS THERE STILL A ROLE FOR THE NATION STATE?

Much discussion on national policies on research and even much hype on the priorities that governments (as well as regions) should attach to innovation appear to overlook a number of fundamental questions which are the same that appear to be unsolved when one tries to tackle the issue of what countries should go about internationalization of their higher education system.

The questions are, in fact, at a more basic level the following: is there a role for the state when it comes to investing in research? Where are – within the domains of research - the market failures, if any, against which the state should intervene to create public goods that the private firm is not able to pursue? And why - even more fundamentally, even after having identified such market failure – should a state (and even more a region) spend taxpayers' money for years in order to produce an edge in terms of knowledge that can easily either be captured by another country or spontaneously spill over outside the state? Why – more specifically – should an old nation state invest in higher education institutions, in their “comprehensive internationalization” when the very bound to their country may evaporate because the very internationalization that the state may favor and that they must undertake in order to survive?

In other words **why should the state invest in something – internationalization of universities – that may turn out to coincide with the creation of the conditions for a further brain drain that may ultimately damage that national community?**

The question is similar to the one that we just posed to ourselves when we discussed the problem of brain drain. Are the categories of *going away* or *coming back* - which also happen to be the only ones that are consistent with the nature of a state - useful for drafting a strategy that can produce value to a community out of the incoming and outgoing flows of talents that directly involve that community?

More generally, **how do we solve the contradiction between something – the State – that is – per definition – the expression of a geographically limited area, and something – the Knowledge – which is – per definition – meant to move across borders?**

In a sense the questions we are posing are not hugely sophisticated ones. In fact, one may argue similar questions also for a road or an airport that the policy maker may consider as a possible option of investment of public money. A highway, in fact, is not only a vector that enables outside investors, students, tourists, professionals to come to your place, but also something that facilitates your firms to export as well as your graduates to leave.

And the answer could also be somewhat similar. Internationalization is good not necessarily because it will produce a net gain to the citizens that will happen to live in my country in twenty years time but because it creates an opportunity for the current citizens of that country now. Internationalization is good because in

order to survive you need to attract knowledge intensive production factors in your country and because to make this possible it is indispensable to encourage your citizens (students, tourists, managers) to stay abroad. Eventually internationalization and research can create a net gain only if the country adapts itself to dynamically attract talents from abroad and to leverage on the national human capital which is abroad (through formal and informal networks, research projects, exchanges, short or longer period of coming back).

However **many countries and universities and cities still miss a sophisticated enough instrument to understand who are their clients**, what do they demand, how are they positioned *vis à vis* competitors. The next paragraph will focus on this gap that Vision is fulfilling with its own project.

4. THE KNOW YOUR CLIENTS IMPERATIVE AND THE VISION PROJECT

Internationalization and especially focused internationalization are, therefore, essential. Not only in economic terms (in terms of gains to the hosting country, city and university), but also in terms of a lever that may produce change for the better of the higher education institutions.

Which are, however, the success factors, the conditions for increasing the quantity and the quality of internationalization? We, first of all, need to reiterate that **there are, at least, three main actors that may be involved: the country** that is willing to increase its capability to attract, **the city** where the university is located and, of course, **the institution that is competing**. These distinctions will be crucial for the structure of the project that we are envisaging.

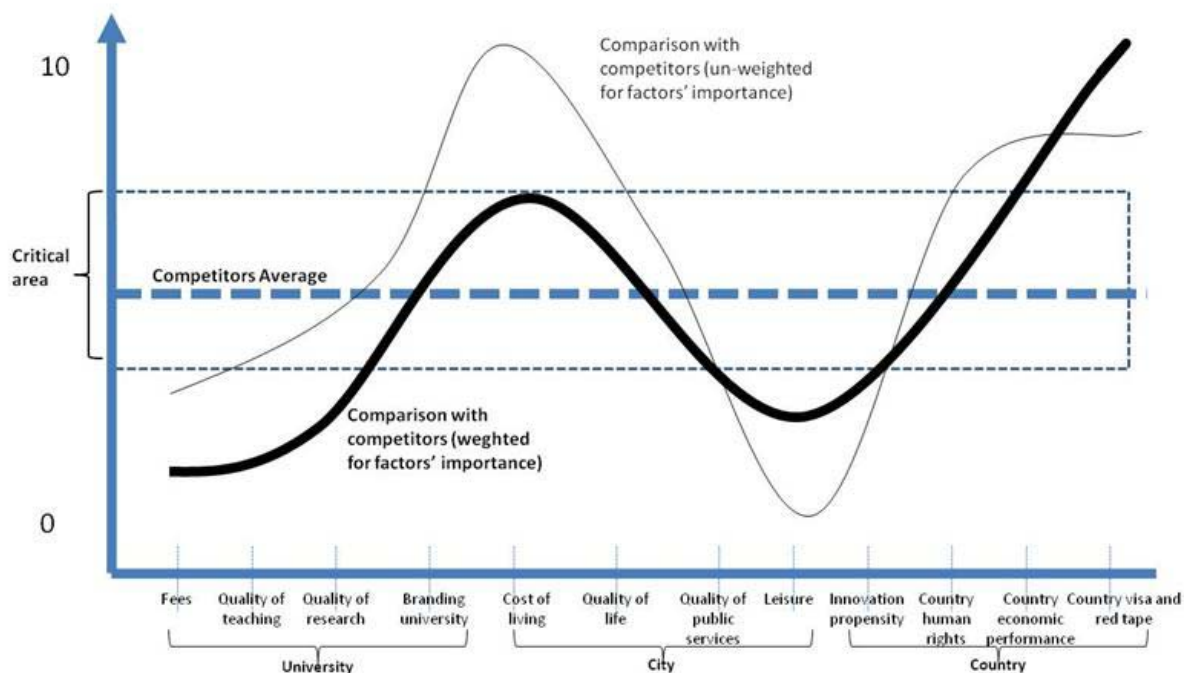
The core issue upon which, however, Vision (together with its partner Think Young with which an experimentation was conducted on international students in Italy and Belgium) is focusing its resources is the strategic part of the marketing and more specifically the creation of the knowledge about two fundamental questions:

- a) what do (current or prospective) clients (international students) - eventually segmented according to certain features (nationality, for instance) - value as far as factors that they consider when they need to decide which product (country, city, university) to buy?
- b) how does each product (country, city, university) fare against your competitors so that it is possible to identify priorities in terms of realignment between supply and demand?

These very basic answers are not systematically researched (with some exception in UK) and the creation of such knowledge base should make it more possible to draft more efficient marketing strategies.

The next chart shows the possible output of a marketing analysis that Vision is attempting and that would allow universities managers to choose priorities on the basis of an assessment and comparison of higher education institutions on the most important factors that determine international student attraction and satisfaction.

Chart 4.1: Marketing tool to identify competitive advantage in International studies market (example)



Source: Adapted from a Vision & Value project

The chart shows the output of an analysis built in order to assess and compare universities' performances according to two variables: on the "Y" axis is shown the level of the performance ranging from 0 to 10; on the "X" axis are spread the set of indicators crafted to assess the factors that influence the level of attractiveness of higher education institutions on a certain segment of international students (similar considerations would apply to segments of international faculty) that we consider as the target of the university's marketing strategy.

These factors are organized in **three main categories that according to Vision represent the areas that have a major impact on an international student's decisions of where to study abroad: university, city, and country.** Moreover, within the region of the chart it was identified a **critical area** where universities should focus priorities and concentrate resources.

The overall performance of an institution will be represented by a line that cuts horizontally the chart at different heights according to the level of performance achieved. As shown in the graphic representation there are two lines. The thin line (**un-weighted universities' performances line**) represents university's performances against the average of competitors (*benchmark*).

On the contrary, the bold line (**weighted universities' performances line**) represents the performance weighted on the basis of the importance attached to each factor by the target of international students (of faculty) that we want to attract.

As mentioned, the analysis will, therefore, position the university against its competitors and support the decisions in terms of priorities to be attached to the strengthening of various factors.

Similar considerations would, of course, apply to cities and countries that want to prioritize the attraction of international students (and as we saw before there would be good reasons to do so) or, better, coalition of countries, cities and institutions that want to develop a coordinated strategy of internationalization.

Previous paragraphs confirm that internationalization is not only a strategic lever for change of universities but also an opportunity to generate economic and social value to societies. Moreover, it seems that the potential of this trend is still largely untapped and that opportunities are open to different countries and different strategies. The paper introduces few data and considerations that are meant to generate a fruitful debate that will continue in the next months and a project that will provide a contribution to whoever – as a dean, educator or policy maker – understands how radical is the challenge that internationalization poses.

GLOSSARY

AHELO:	Assessment of Higher Education Learning Outcomes
ARWU:	Academic Ranking of World Universities
CHE:	Centre for Higher Education Development
FT:	Financial Times
HEEACT:	Higher Education Evaluation and Accreditation Council of Taiwan
IAU:	international Association of Universities
IREG:	International Ranking of Higher Education
THE:	Times Higher Education
PISA:	Program for International Student Assessment
PIAAC:	Program for the International Assessment of Adult Competencies
RAE:	Research Assessment Exercise

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